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WASHINGTON -- Senate Banking Committee Chairman Christopher Dodd floated a plan to establish a government body to buy troubled mortgages from banks and investors and move homeowners into loans insured by the federal government or bought by Fannie Mae and Freddie Mac.

Similar ideas have been discussed this year, but the Connecticut Democrat's support could give the effort a lift in the Senate. Still, the Dodd plan is likely a political long shot as many lawmakers oppose government intervention in the housing market.

Sen. Dodd said his proposal would direct as much as \$20 billion toward a new agency that would buy distressed loans at "steep discounts" to help borrowers escape expensive subprime loans. The agency would make 30-year fixed-rate loans, Sen. Dodd said at a news conference. He said the proposal isn't meant to be a bailout for bankers, investors or homeowners.

"I'm trying to give a haircut to everybody," he said.

If loan delinquencies continue to climb and other foreclosure-prevention efforts fail, a larger government role could draw more support. Sen. Dodd said the proposal could be advanced soon, though it likely wouldn't be included in the stimulus measure now under consideration.

A similar plan also was introduced yesterday in the House. Rep. Mark Kirk (R., Ill.) called for the resurrection of the Home Owners' Loan Corp., created in 1933 to buy troubled mortgages during the Great Depression. The agency was disbanded in 1951. Rep. Kirk said the stimulus bill should include \$25 billion to recapitalize the agency so it could potentially buy as much as \$300 billion in troubled loans.

"This temporary emergency program is meant to be a lifeline to subprime borrowers, preventing a downward spiral into recession," Rep. Kirk said. "Its doors will not be opened to allow lenders

to dump their assets on the government without taking a loss for bad credit decisions."

Rep. Kirk said a board of directors at the agency could include officials from the Treasury Department; Federal Deposit Insurance Corp.; Department of Housing and Urban Development and its Office of Federal Housing Enterprise Oversight; as well as the Government Accountability Office, Congress's oversight arm.

Alex Pollock, a resident fellow at the American Enterprise Institute who supports Rep. Kirk's plan, said establishing a temporary government agency to buy troubled loans could help stabilize the housing market. "There needs to be a correction, but what you don't need is a big downside overshoot which creates much more financial and social damage than there needs to be," he said.

Sen. Dodd acknowledged that the issue is complicated and said any plan likely would need support from Senate Republicans to advance. He also said determining which loans should be targeted could be difficult. "How you define a 'distressed mortgage' is not an easy question," he said.